# Chile Mining DA

A. UQ: Chile’s economy and copper industry is strong now- it’s avoided the resource curse and is set to grow. Caiser[[1]](#footnote-1) ‘13

Chile continues to lead Latin America in 2013 in both economic growth and economic freedom. These positive outcomes reflect well on the solid policy choices being implemented by the Chilean government of President Sebastián Piñera. Making it onto [the 2013 Index of Economic Freedom](http://www.heritage.org/index/country/chile" \o "http://www.heritage.org/index/country/chile" \t "_blank)’s list of top 10 freest countries in the world for the second year in a row, Chile was also ranked No. 1 on Forbes India’s list of [7 Hottest Emerging Markets](http://forbesindia.com/article/special/7-hottest-emerging-markets-to-live-and-work-in/34467/1" \o "http://forbesindia.com/article/special/7-hottest-emerging-markets-to-live-and-work-in/34467/1" \t "_blank). And at the beginning of the year, [Bloomberg](http://www.bloomberg.com/news/2013-01-07/chilean-economy-grew-faster-than-forecast-5-5-in-november-1-.html" \o "http://www.bloomberg.com/news/2013-01-07/chilean-economy-grew-faster-than-forecast-5-5-in-november-1-.html" \t "_blank) confirmed that Chile’s economy grew by 5.5 percent in last year—faster than predicted, and significant growth during a period when much of the world has seen only paltry economic expansion.**Chile has seen booming exports**, particularly **in the mining s**ector of the economy. But unlike other nations with significant exports of commodities, **Chile has** successfully **diversified** its economy **away from over-dependence** on those exports **while using property rights to avoid** the destabilizing **corruption and over-regulation that** have[**afflicted “oil-cursed”**](http://www.heritage.org/index/book/chapter-5)**neighbors** such as Venezuela. According to[Caiman Valores](http://seekingalpha.com/article/1094471-caiman-valores-positions-for-2013-colombia-chile-offer-best-upside-in-latin-america), a prominent Latin American investment consultant, Chile is an interesting investment location. It is stable, has solid regulations and low levels of corruption coupled with a particularly strong banking and finance sector…Chile is an important addition to any investor’s portfolio, providing geographic diversification along with access to probably the most advanced economy in Latin America. With such ringing endorsements, **the mining industry** alone now**[predicts](http://en.mercopress.com/2013/01/16/chile-mining-industry-expects-100bn-dollars-investment-in-next-twelve-years" \o "http://en.mercopress.com/2013/01/16/chile-mining-industry-expects-100bn-dollars-investment-in-next-twelve-years" \t "_blank) it w**ill see the **add**ition of $**100 billion in foreign investments** in the next decade and plans to sell an estimated $55 billion in copper in 2013. The government’s outstanding management of the mining sector, combined with a stable currency, led Standard & Poor’s to upgrade Chile’s bond rating to AA- last month, a rating considered to be on par with nations like Japan and China, according to[The Financial Times](http://blogs.ft.com/beyond-brics/2012/12/27/chile-on-a-par-with-china-ratings-wise/" \l "axzz2IGhEz4Oq" \o "http://blogs.ft.com/beyond-brics/2012/12/27/chile-on-a-par-with-china-ratings-wise/#axzz2IGhEz4Oq" \t "_blank). In short, Chile’s economy is on the rise, and policy is the reason. Commenting on the upgrade, **S&P said** that **they** “**expect the government to continue making** gradual **progress** **on** microeconomic **reforms to bolster** the **long-term competitiveness** of the economy.”

B. Links: Chilean glacier regulation kills growth- key to check poverty and bolster the middle class. Henao[[2]](#footnote-2) ‘13

SANTIAGO, Chile — SANTIAGO, Chile (AP) — Just how to define a glacier is at the heart of a Chilean congressional battle that could determine the future of mining in the world's largest copper-producing country. The revival of **legislation to ban mining in glacial areas** is spawning debate among miners, farmers and environmentalists about how to protect both vital water supplies and Chile's mining industry. If the bill passes, mining experts fear it **could shutter multibillion-dollar mining projects and slow investment.** The key will be in the fine print of whether the final bill defines glaciers as including frozen areas around them, too, and whether the protections would apply retroactively to mines already operating next to glaciers."**If it passes** as a law with tough conditions, **it could harm not only** the operation of **current projects but** also **future projects**," said Juan Carlos Guajardo, head of the Chilean mining think tank CESCO. "Depending on the conditions, the scenarios would make mining activity very difficult in high mountain areas."Environmentalists point to the crucial role played by glaciers in protecting Chile's water as reason enough to implement the wider definition.A glacier is snow that has compacted into ice and that survives the warm summer months. Glaciers are important because they act as natural dams, storing water for use throughout the year after the winter snow has melted. Even small glaciers can hold gigantic amounts of water that become critical during warm months and especially in long dry spells.Argentina, across the Andes mountains from Chile, adopted a law in 2010 that broadly defines glaciers — theoretically protecting not only the icy masses most people think of, but also "rock glaciers" and frozen groundwater on mountaintops where glaciers have melted away from the surface. The Argentine National Glacier Institute, which had a heavy hand in drafting Argentina's law, pushed the definition because it's believed most glacial water actually comes from such reserves.**The Argentine law remains** largely **unenforced**, but mining has still to develop in a big way there.**In Chile**, however, **such a move could have a** much **bigger impact on the world's copper and gold supplies**. For now, the bill doesn't include protections on peri-glacial or permafrost areas and is far less punitive than Argentina's law, but it could be amended to broaden the definition of glaciers. No matter what, it would be Chile's first law specifically protecting glaciers.**Mining offers Chile's poor their best shot at a middle-class life**, especially in the rugged desert areas in the north, where most mines are. **Copper accounts for** about **a third of government revenue**, and **the state has a policy of shoring up** **national** **reserves** during periods of high prices.The country has some of Latin America's most stable ground rules for mining. But the narrow nation that stretches 2,650 miles (4,270 kilometers) along the Pacific also has the largest number of glaciers, from icy southern Patagonia to its most northern latitudes.A broader definition could severely hamper the Chilean industry's hopes to mine gold and copper from places where icy masses have retreated on the surface, exposing rich ore veins that share mountaintops with other forms of glacier water.Already, environmentalists have demanded tougher protections for nearby populations and natural resources, and mining projects have faced costly delays.Jorge Daniel Taillant, director of the Center for Human Rights and the Environment, called glaciers a vulnerable resource that's in jeopardy because of mining.Taillant tracks environmental compliance by mining companies and has focused on the impact of dozens of mining projects in Argentina and in Chile on glaciers. "A broad definition of glaciers in the law helps capture the large variety of glaciers that exist in the Andes," Taillant said. "Protecting only the most well-known uncovered white glaciers is not enough. Melting glaciers are one of the telltale signs of climate change, and as such we need laws to protect climate-vulnerable glaciers." If passed, the bill could halt mining operations such as Barrick's $8 billion Pascua-Lama or state mining company Codelco's $6.8 billion Andina 244 expansion project, which are both surrounded by glaciers and permafrost areas. To move forward, the projects would need further environmental safeguards to ensure they're not hurting ice. The resurfacing of the bill comes at a time when the Andina project is being widely questioned. **Codelco wants to turn** Andina into **its star mine to produce more** than 600,000 metric tons of **copper** a year, up from 250,000 now. Codelco said in a statement it believes **the glacier bill is not needed because Chile has developed norms to protect glaciers** since the legislation was first discussed in 2006. "Depending on how this glacier law turns out, it could be very complicated. In reality, this project might not even be able to be developed because we're near glaciers," said Juan Carlos Jofre, sustainability chief for the Andina 244 project. Environmentalists say the impact on nearby glaciers would be devastating, particularly for subsurface rock glaciers with colossal amounts of ice. Before the Argentine law passed, analysts warned that it would mean an end to Pascua-Lama, the world's highest-altitude mine, which straddles the Chile-Argentina border. While mining has continued there, Barrick's project has been temporarily suspended in Chile after the company was cited for "very serious" violations of its environmental permit, requiring it to build infrastructure to prevent water pollution as it mines for gold and silver. Critics say construction at Pascua-Lama has spread dust on the nearby Toro 1, Toro 2 and Esperanza glaciers, hastening their retreat by capturing heat on their surfaces. Meltwater from those glaciers feeds the Estrecho river, which supplies water to the Diaguita indigenous community living downstream. Barrick has said it will work "to address environmental and other regulatory requirements" on the Pascua side of the project in Chile. Conservationists say dozens of mining projects are in glacier areas and they have filed international complaints, pointing mining company shareholders to potential troubles for large-scale mineral investments. Chile's Congress is expected to take on the glacier protection bill by mid-October. If debate drags, the measure's ultimate fate may depend on Michelle Bachelet, a former president who is heavily favored to win election and take office again next year. She has taken no stand on this bill and failed to back a similar measure in her first term, though she did take steps to protect glaciers. "Any change that means that projects have to be evaluated would affect them significantly. It would mean a whole new legal framework on glaciers," said Winston Alburquenque, a professor of natural resources law at the Catholic University. "Clearly there's a change — there's a greater environmental awareness and respect for natural resources."

C. Internal Link: Lack of social spending causes instability. Craze et al[[3]](#footnote-3) ‘14

The world’s biggest copper miners are urging Chile not to squander its mineral potential amid mounting environmental opposition, power shortages and rising labor costs and taxes in Latin America’s wealthiest economy. Chilean mine workers produce less than half of their North American counterparts, while getting paid more, Peter Beaven, BHP Billiton Ltd. (BHP) base metals head, told executives and officials who gathered in Santiago this week, including Mining Minister Aurora Williams. Chile needs a more skilled workforce and cheaper electricity to boost its competitiveness, he said. Williams earlier told executives that **the government is** no longer **focused** merely **on** growing the economy as it seeks to rectify one of the most **unequal distributions of wealth** in the 34-nation Organization for Economic Cooperation and Development **by** raising taxes and **social spending**. **Chile has been rocked by protests** in the past three years **as students demand** better and **cheaper education**.“**Without copper mining, we wouldn’t have achieved what we have**,” Antofagasta Plc (ANTO) Chief Executive Officer Diego Hernandez said at the event. “We’re paying developed world wages and getting developing economy productivity.” Now their **taxes are set to rise** as well. President Michelle Bachelet sent a tax reform bill to congress this month that would raise revenue by 3 percentage points of gross domestic product to pay for increased spending on education. The changes include an increase in the corporate tax rate to 25 percent from 20 percent over the next four years. Projects Shelved As costs rise, the mining industry has revised or postponed about 40 percent of the $110 billion of projects under consideration in Chile, according to data compiled by industry group Sonami. Chile has the world’s largest copper reserves, followed by Peru. The country’s copper exports have stalled over the past three years at about $3.5 billion a month, or one third of the world’s supply of the metal. Peru, now the world’s third-largest copper producer, said output jumped 20 percent in January to 111,855 metric tons. Peru’s economy will grow 5.5 percent this year on the mining boom, even as growth in the region slows, the World Bank said. Peru has “definitely got more attractive in many ways whereas in Chile power and water are now major issues,” said George Cheveley, a portfolio manager at Investec Asset Management Ltd. who helps manage $3.5 billion in commodities and natural resources stocks. “Chile is still a very good place to invest, but Peru has improved quite a bit.” Power Constraints Environmental and community groups have managed to stop coal-fired power generation projects belonging to Empresa Nacional de Electricidad SA, GDF Suez and Brazilian billionaire Eike Batista. Power project obstacles have prompted miners including Antofagasta, BHP and Codelco to invest in their own sources of energy to avert a power crunch in years to come.“Power costs are much higher than the rest of the region and other mining jurisdictions,” Felipe Diaz, vice president of Latin America project finance at Sumitomo Mitsui Banking Corp. said in an interview. “We don’t see that being resolved in the near future.” The cost of mining has more than tripled in Chile since 2003 to $2.23 a pound of copper in 2012, according to Chile’s Mining Council, which represents large miners such as Anglo American Plc (AAL) and BHP. While the increase reflects the global average, Chile was 5.7 percent less competitive than the world average from 2009 to 2012, compared with the period of 2003 and 2008 when it was 11.5 percent more competitive, the council’s data show. Growth Focus To be sure, miners prioritized growth over cost efficiency to boost output amid surging demand from China, said Juan Carlos Guajardo, head of copper study group Cesco, which held a dinner for executives in Santiago yesterday. “The industry put too much attention on growth during the boom period and relaxed some controls in management,” Guajardo said in a Santiago interview. “It’s necessary to balance the need of growth and efficiency. This is a challenge for management.” Falling ore grades and inefficiencies, particularly among contractors, are contributing to Chile’s slide down global competitiveness rankings, Beaven said. Chilean mine workers get paid more than U.S. counterparts and produce about 30,000 tons of ore a year, less than half counterparts in Canada and the U.S. Chile can boost productivity with training, Beaven said.“If we don’t have a skilled workforce, we aren’t going anywhere,” he said. Melbourne-based BHP is spending more than $3 billion to boost productivity at Escondida, the world’s largest copper mine that it owns in the Atacama Desert. More Equality **President Bachelet took office** last month **on a promise of improving education and boosting social spending to reduce inequality** in the South American country. Chile has the highest income per capita in Latin America based on purchasing power parity, with $19,105 last year, according to the International Monetary Fund.“In Chile today the government has stopped thinking that economic growth is the only compass dial,” Williams said. The government is still committed to helping the industry by lowering energy costs and redesigning new investment-friendly laws, she said.**Mining has grown in importance** in Chile **as prices** more than **tripled** since 2003. The industry accounted for 18 percent of GDP on average between 2004 and 2011, compared with only 7 percent between 1996 and 2003, according to the Mining Council. Mining accounts for about 60 percent of exports, it said. Codelco Funding**Bachelet is committed to** seeking new **finances to underpin investments** needed by state-owned Codelco, the world’s largest copper producer, Williams said. Codelco, which hands all of its profits to the government, needs yearly injections of fresh capital to carry out needed investments of more than $4 billion a year, Chief Executive Officer Thomas Keller said yesterday. Without the investments, Codelco will lose its No. 1 ranking and output will fall to less than half at aging mines. To contact the reporters on this story: Matt Craze in Santiago at mcraze@bloomberg.net; Juan Pablo Spinetto in Santiago at [jspinetto@bloomberg.net](mailto:jspinetto@bloomberg.net) To contact the editors responsible for this story: James Attwood at jattwood3@bloomberg.net

D. Impact: Chilean stability is the lynchpin of every other impact in South America- ensures regional stability, checks narco states, bolsters international law and participation, and solves drug trafficking. Meyer[[4]](#footnote-4) ‘14

Since its return to democracy, Chile’s foreign policy has been based on respect for international law, equality among states, peaceful dispute resolution, and non-interference in the internal affairs of other countries.76 Although the country’s initiatives in the international arena have often focused on forging trade and investment linkages, **Chile** also **has been an active participant in multilateral efforts to advance** peace and **stability** **in the Western Hemisphere.** For example, **the** Chilean **government** **has** **engaged** in diplomatic **efforts** **to resolve** a number of **political crises in the region** in recent years, **and** **is** currently one of four countries **assisting** with **peace talks between the Colombian government and** the Revolutionary Armed Forces of Colombia (Fuerzas rmadas Revolucionarias de Colombia, **FAR**C)—a leftist guerilla group.77 In October 2013, Chile was elected to a two-year term on the U.N. Security Council.**Chile** **has** also **promoted regional cooperation** on peacekeeping and humanitarian relief efforts. The country quickly responded to the U.N. Security Council’s March 2004 request for peacekeepers in Haiti following the collapse of Jean-Bertrand Aristide’s government. This **early commitment** **encouraged** a number of **other Latin American** countries **to contribute troops to** **the** U.N. **Stabilization Mission** in Haiti (MINUSTAH), **establishing** an opportunity for **regional political and military cooperation** and integration. Chile has committed more human and material resources to MINUSTAH than it has to any previous peacekeeping mission,78 and still has 462 soldiers and 14 police on the ground as Haiti continues to recover from the massive earthquake that struck the country in January 2010.79 In October 2012, Chile sponsored a disaster response initiative at the 10th Conference of the Defense Ministers of the Americas. The initiative, which was backed by the United States and adopted at the conference, creates a coordination mechanism to improve the region’s collective response to humanitarian emergencies.80Additionally, **Chile is working** **with the U**nited **S**tates **on** c**i**tizen security and **antidrug efforts** **in Central America**—a region struggling with high levels of crime and violence.81 Both countries are part of the Group of Friends of Central America, which has worked with Central American governments to design and implement a regional security strategy. Among other initiatives, **Chile is supporting police reform in Honduras and** providing **military training in Guatemala**.82 **Chile is also** participating **in** Operation Martillo**, a** multinational and interagency **drug interdiction** effort designed **to cut off** illicit **trafficking** **routes** along the Atlantic and Pacific coasts of Central America.83

# Link Wall

Copper revenue is vital for funding countercyclical policies and overall stability- forms the backbone of the economy and checks natural disasters and instability. Meyer[[5]](#footnote-5) ‘14

**As a result of** its solid policy framework and several years of high **copper** prices, **Chile had** significant **savings** on hand **when its economy began to slow as a result of the** global **financial crisis** in late 2008. In early 2009, **the government used funds** from one of its sovereign wealth funds, the “Economic and Social Stabilization Fund,” **to finance a** $4 billion (2.3% of GDP) economic **stimulus package. The stimulus**, which **included** temporary tax cuts for small businesses, larger transfer payments for poor Chileans, $700 million for infrastructure projects, and $**1 billion for the state-owned copper company**, Codelco (Corporación Nacional del Cobre), **helped Chile return to** quarter-on-quarter economic **growth** by the end of 2009 and limit the annual economic contraction to 0.9%. **Just as the** Chilean **economy was beginning to recover** from the global financial crisis, **the country was hit by a** massive **earthquake** of magnitude 8.8 in February 2010.39 The earthquake and subsequent tsunami killed 551 people and caused nearly $30 billion (15% of GDP) in damages. In the aftermath of the earthquake, **the** Chilean **government was able to** once again **draw on the** Economic and Social Stabilization **Fund** in order **to** partially **finance** an $8.4 billion **reconstruction** plan.41 The reconstruction effort is scheduled to conclude in March 2014. Although Chile’s economy suffered in the first quarter of 2010 as a result of the earthquake, it quickly recovered. Reconstruction, combined with increased investment and private consumption, helped fuel economic growth of 5.7% in 2010, 5.8% in 2011, and 5.6% in 2012.42 The IMF estimates that GDP growth slowed to 4.4% in 2013,43 but unemployment has fallen to a historically low rate of 5.7% and real wages have risen 4% over the past year.44 While **Chile** **remains** vulnerable to economic troubles abroad given its open economy and heavy **relian[t]**ce **on copper exports**, **the** Chilean **government has** considerable **room to pursue countercyclical policies** should global conditions deteriorate; general government gross debt remains relatively low (12.9% of GDP),45 and the country’s Economic and Social Stabilization Fund holds $15.6 billion (5.8% of GDP).

Copper is uniquely key. Schildermans**[[6]](#footnote-6)** ‘10

A lot of actors are involved in the debate about the ecological impact of copper. All of these actors find each other **in Chile**, where **the export of copper is** of **huge** importance **for the** national **economy**. **Chile is** by far **the most important** **producer** of mined copper **in the world, providing 36%** of the world’s supply in copper ores and concentrates (International Copper Study Group 2009). In 2008 **49% of Chile’s total** trade **income was provided by** the export of **copper1**. These figures show exactly how important copper is for Chile and by consequence how much stronger the paradox is for this country.

Copper is key to the economy, small shocks have ripple effects. The Economist[[7]](#footnote-7) ‘13

TOURIST shops sell polished copper trinkets. Building after building sports a bit of copper cladding. Even the taxi-drivers in Santiago, Chile’s capital, know the price of copper. It is not hard to guess what the country’s biggest export is.**Copper** has been kind to Chile. It **provides 20% of GDP and 60% of exports**. **Thanks to it, Chile’s economy is expanding** by nearly 6% annually**, while inflation and unemployment are** enviably **low**. Poverty rates have tumbled; public services are mostly good. Chile has other strengths, such as agriculture, tourism and even high-tech. But **small shifts in** the **copper price make headlines**. The copper mines themselves are far from the capital. Escondida, the world’s biggest (and the source of over 5% of global supplies) is a 1,300km (800-mile) trek north, in the middle of the Atacama desert. BHP Billiton, the world’s biggest mining company, operates two gigantic pits there. The deeper one is 3.9km from side to side and 650 metres from brim to bottom. Trucks as big as houses, working non-stop, haul 1.5m tonnes of rock out of Escondida each day. Managers may drive 150km in a shift. Last year the mine disgorged 1m tonnes of metal. Overall, **Chile produces a third of the world’s copper.**

BHP has 4,000 workers on site, plus another 13,000 contractors nearby. All live in a settlement built specially to serve the mine. There they can enjoy Zumba dance classes, a swimming pool and a pub with a jukebox and pinball but, alas, no booze. (Hard liquor and heavy machinery don’t mix.) The nearest town is the port of Antofagasta, 170km away, where ships are loaded with copper sheets and ore.

Copper **demand has boomed since China’s rural population started moving to cities**. The **migrants need homes** with copper wires and pipes. **Emerging markets** everywhere are gobbling up copper to put in bridges, cars, fridges and more or less **anything** **that uses electricity**. China’s recent slowdown has caused copper prices to slide by 15% since the beginning of the year, but they are still high (see chart).

BHP and other miners have invested heavily in Chile. Big deposits of copper ore are rare. Big copper-ore deposits in stable countries with business-friendly governments are even rarer. Zambia and Congo are not in the same league.

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5. Peter J. Meyer, “Chile: Political and Economic Conditions and U.S. Relations”. Congressional Research Service, 7-5700, R40126. January 10, 2014. Quals: Analyst in Latin American Affairs. [www.crs.gov](http://www.crs.gov). RP 4/14/14 [↑](#footnote-ref-5)
6. Schildermans 10 [SCHILDERMANS, Peter. The Chilean copper industry towards a more ecologically durable exploitation? Année Académique : 2010-2011] [↑](#footnote-ref-6)
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